

## Talking Points

The Chicago Teachers' Pension Fund is governed by laws set by the State of Illinois. Changes to CTPF operations and funding come through legislation. You can help fight the current funding challenges by contacting your local legislators and state legislative leaders and educating them about issues that impact CTPF.

If you don't know who your state legislators are, click here to look up your [Illinois legislators](#).

CTPF faces financial challenges due to state funding cuts and laws that restrict spending on health insurance. Support from lawmakers in Springfield will be vital if CTPF is to remain a healthy pension fund. All members can share areas of concern with local lawmakers.

Members who meet with legislators should keep in mind three issues of importance for CTPF.

1. The State of Illinois needs to provide adequate funding for CTPF
2. CTPF retirees deserve affordable health insurance
3. The State should restore CPS funding for CTPF

### **1. Fair and Equitable Funding for CTPF**

State funding for CTPF needs to be reasonable and equitable. The state cut CTPF funding from \$74.8 million in 2009 to \$37.5 million for 2010.

The promise of fair state funding began in 1995 when the Chicago Public Schools sought and received budget relief from the Illinois legislature. This costly measure redirected more than \$2 billion tax revenue, earmarked for pensions, directly into the CPS operating budget.

When the State of Illinois agreed to the CTPF funding cuts in 1995, it also offered a safety net and stated its intent to provide CTPF with 20-30% of the funding allocated to Teachers Retirement System (TRS). Unfortunately, the safety measures designed to protect pensions failed. State funding for Chicago teacher pensions has actually declined since 1995. Chicago teachers received a state contribution of \$37.5 million in 2009, less than 2% of the \$2 billion awarded to the downstate retirement system for the same period.

CTPF will continue to lobby for legislation that provides fair funding for Chicago's teachers. If lawmakers increase state funding, it would stabilize future pension funding, reduce the amount that the employer, CPS, is required to pay, and more equitably distribute state funds to Illinois teachers.

## **2. Retiree Health Insurance**

Illinois law determines the amount that CTPF is allowed to spend on health insurance premium subsidies for retirees. The health insurance rebate was capped by Illinois statute in 2003-2004, and has not increased since that time. According to the current Illinois Pension Code, the reimbursement amount may not exceed \$65 million per year, plus any previous year amounts authorized but not spent.

Pensions are guaranteed by Illinois law but the CTPF health insurance premium subsidy is not. Each year, the CTPF Board of Trustees determines a premium subsidy. Effective January 1, 2011, the CTPF health insurance premium subsidy will be 60%, a reduction from the 70% subsidy offered in 2010.

Changing demographic trends and an overall increase in the cost of health insurance continue to put pressure on available funds. The number of CTPF retirees increased almost 36% between 2002 and 2009. During this period, the amount CTPF refunded for health insurance premiums increased more than 72% from \$44.1 million in 2002 to \$75.8 million in 2009.

The health insurance premium subsidy was capped at \$65 million in 2003-2004 when CTPF supported about 18,500 pensioners. Today, the number has grown to more than 24,000. Lawmakers must raise the spending cap in order to ensure affordable health insurance for CTPF retirees.

## **3. Restore CPS Contributions**

The Chicago Public Schools face a large budget deficit and have received legislative budget relief from pension obligations.

Public Act 96-0089, signed into law last spring, cut critical pension funding for the Chicago Teachers' Pension Fund (CTPF) by more than a billion dollars over the next three years, while increasing the Chicago Public Schools (CPS) long-term pension indebtedness by more than \$12 billion. This will not provide a true benefit to the pension fund, taxpayer, or CPS.

Even during difficult financial times, pension obligations need to be paid. Pushing pension debt into the future only exacerbates a difficult situation. CPS cannot continue to balance budgets by mortgaging retirement pensions.

CPS must adequately fund pensions and fulfill its obligations to Chicago's teachers.